

Each county within the State determines the assessed values of real estate for taxation purposes. The following table depicts the assessed and full valuation of all taxable real property of the State as well as a comparison of the total value of residential, commercial and non-building construction contracts and the total bank deposits for the years 1993 through 2002. The next table depicts public and higher education school enrollments for the last ten years.

Property Valuation, Construction and Bank Deposits

(in Millions)

Calendar Year	Assessed Valuation (1)	Full Valuation	Value of Construction Contracts (2)	Bank Deposits (3)
1993	\$ 17,116	\$ 28,812	\$ 709	\$ 36,070
1994	\$ 17,518	\$ 39,826	\$ 705	\$ 36,320
1995	\$ 17,894	\$ 39,319	\$ 863	\$ 40,746
1996	\$ 18,212	\$ 41,793	\$ 800	\$ 42,720
1997	\$ 18,663	\$ 43,264	\$ 934	\$ 62,149
1998	\$ 19,132	\$ 45,961	\$ 892	\$ 63,837
1999	\$ 19,519	\$ 47,431	\$ 1,036	\$ 73,226
2000	\$ 19,940	\$ 51,998	\$ 982	\$ 88,733
2001	\$ 20,303	\$ 55,367	\$ 934	\$ 94,413
2002	\$ 20,750	\$ 59,595	\$ 824	\$ 102,456

(1) The assessed and full valuation of all taxable real property as of June 30 of each year.

(2) The total value of construction contracts awarded as of December 31 of each year.

(3) The total value of bank deposits as of December 31 of each year.

Sources: Delaware Department of Education
Delaware State Banking Commission
F.W. Dodge Division, McGraw-Hill

School Enrollment

School Year	Public School Enrollment (1)	Public and Private Higher Education Enrollment	Total
1993	103,074	42,760	145,834
1994	104,284	43,192	147,476
1995	105,619	42,940	148,559
1996	107,348	44,537	151,885
1997	109,538	45,241	154,779
1998	112,160	46,155	158,315
1999	113,595	46,476	160,071
2000	113,699	45,563	159,262
2001	114,693	47,031	161,724
2002	115,545	48,842	164,387

(1) Excludes children of military personnel living on Dover Air Force Base who attend Base schools and whose education is federally funded.

Sources: Delaware Department of Education
Delaware Higher Education Commission

Debt Limits

There is no Constitutional debt limit of the State.

In 1991, the General Assembly passed legislation to replace the prior statutory debt limits with a three-part debt limit, as follows:

First, the aggregate principle amount of new “tax-supported obligations of the State” (hereinafter defined) which may be authorized in any one fiscal year (excluding refunding bonds) may not exceed 5% of estimated net budgetary General Fund revenue for that fiscal year. This is determined by a joint resolution approved by a majority of the members elected to each house of the General Assembly and signed by the Governor in connection with the adoption of the annual Budget Appropriation Bill for that fiscal year (the 5% Rule). The June 2003 budgetary General Fund revenue estimate for fiscal year 2004 was \$2,514.0 million, thus a total of \$125.7 million of new general obligation debt was permissible under the 5% Rule. For fiscal year 2004, \$125.8 million was authorized (including \$180,000 from deauthorized amounts). The authorization for the issuance of the bonds consists of authorizations from fiscal 2004 as well as prior years.

The level of new tax-supported debt authorization permitted under the 5% Rule is set out in the following table. The figures assume the September 2003 budgetary General Fund revenue projections of the Delaware Economic and Financial Advisory Council (DEFAC) for fiscal 2005. From the DEFAC’s fiscal 2005 estimate, the figures assume 3.6% annual revenue growth for fiscal 2006, 4.3% annual growth for fiscal 2007, and 4.1% annual growth for 2008 and 2009, respectively.

The 5% Rule

(in Millions)

	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>
Estimated Net Budgetary General Fund Revenue	\$ 2,698.2	\$ 2,794.4	\$ 2,915.4	\$ 3,034.1	\$ 3,158.5
Projected New Tax-Supported Debt Authorizations	\$ 134.9	\$ 139.7	\$ 145.8	\$ 151.7	\$ 158.0

Second, no “tax-supported obligations of the State” and no “Transportation Trust Fund (“Trust Fund” or “TTF”) debt obligations” (hereinafter defined) of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary General Fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligation is incurred (the “15% Test”). As of Fiscal 2004, this ratio stands at 8.1%.

Third, no general obligation debt (with certain exclusions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves)

for the fiscal year following the fiscal year in which such obligation is incurred (the “Cash Balances Test”) as estimated by the Secretary of Finance. As of Fiscal 2004, the debt service payable represents 29.5% of the estimated cumulative cash balance.

“Tax-supported obligations of the State” include: a) all obligations of the State or any agency or authority thereof to which the State’s full faith and credit is pledged and; b) all obligations of the State or any agency or authority thereof extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions, and which are payable from taxes, fees, permits, licenses and fines imposed or approved by the General Assembly. Tax-supported obligations do not include: a) obligations incurred to acquire a like principal amount of full faith and credit obligations issued by a local school district to the extent local school district obligations are not in default; b) any obligation notes of the Delaware Transportation Authority; c) any tax or other revenue anticipation notes or bonds of the State; d) obligations to the extent that the debt service is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-budgetary General Fund source.

“Transportation Trust Fund debt obligations” includes all debt obligations of the Delaware Transportation Authority, including all obligations extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions (for example, certificates of participation), and which in any case are payable from the Trust Fund. Trust Fund debt obligations do not include any obligations to the extent that the debt service with respect thereto is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-State source.

General Obligation Debt

The following tables reflects the outstanding general obligation debt of the State as of June 30, 2003, of which a portion is supported by budgetary General Fund revenue and a portion of which is supported by budgetary Special Funds.

Outstanding General Obligation Debt

(in Millions)

General Obligation Debt Supported by Budgetary General Fund Revenue

State Facilities	\$ 482.1
School Facilities (State Share)	124.2
Miscellaneous	4.2
Subtotal	<u>\$ 610.5</u>

General Obligation Debt Supported by Budgetary Special Funds

Highway and Other Transportation Improvements	\$ 3.3
School Facilities (Local Share)	240.2
Housing Authority Loans	0.3
Subtotal	<u>\$ 243.8</u>

Total General Obligation Debt Outstanding	<u><u>\$ 854.3</u></u>
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Debt Burden Comparison

The State's general obligation debt is \$854.3 million as of June 30, 2003. Approximately 81% of the debt is scheduled to mature within ten years and approximately 94% is scheduled to mature within fifteen years. Total general obligation debt per capita is \$1,044 as of June 30, 2003.

The following table outlines the State's outstanding general obligation debt balance and bond ratings and demonstrates the changes in the State's general obligation debt burden since fiscal year 1994.

Ratio of Annual General Obligation Debt Service to Total Revenues and Expenditures All Governmental Funds

(in Thousands)

Fiscal Year	Total Debt Service	Total Revenues	Ratio of Debt Service to Total Revenues	Total Expenditures	Ratio of Debt Service to Total Expenditures
1994	\$ 93,300	\$ 2,569,647	3.6 %	\$ 2,593,449	3.6 %
1995	94,217	3,017,669	3.1	2,965,053	3.2
1996	92,564	3,195,956	2.9	3,231,971	2.9
1997	92,374	3,295,045	2.8	3,393,605	2.7
1998	103,876	3,650,992	2.8	3,615,570	2.9
1999	109,990	3,843,884	2.9	4,118,640	2.7
2000	116,935	4,097,789	2.9	4,372,597	2.7
2001	120,443	4,248,984	2.8	4,620,134	2.6
2002	113,664	3,570,217	3.2	4,093,202	2.8
2003	117,755	3,747,696	3.1	4,186,966	2.8

Sources: Delaware's Comprehensive Annual Financial Report

Ratio of General Obligation Bonded Debt Per Capita and Debt as a Percentage of Personal Income

(in Thousands)

Fiscal Year	Population	Total Principal Outstanding	Bonded Debt per Capita	Debt as % of Personal Income	Bond Ratings		
					Moody's	Standard & Poor's	Fitch Ratings
1994	718	577,690	805	3.3%	Aa	AA+	
1995	730	561,685	769	3.1%	Aa1	AA+	
1996	741	572,956	773	3.0%	Aa1	AA+	
1997	751	654,676	872	3.3%	Aa1	AA+	
1998	763	686,116	899	3.1%	Aa1	AA+	
1999	775	720,171	929	3.2%	Aa1	AA+	
2000	787	738,176	938	3.0%	Aaa	AAA	AAA
2001	797	653,701	820	2.5%	Aaa	AAA	AAA
2002	807	709,958	880	2.7%	Aaa	AAA	AAA
2003	818 (1)	854,262	1,044	3.2%	Aaa	AAA	AAA

(1) Estimated - Assumes 1.3% growth.

Sources: U.S. Census Bureau and Delaware Department of Finance

Revenue Bond Coverage

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Delaware Transportation Authority. Data for the State's Component Units – Delaware Housing Authority and Delaware State University is also outlined in the following tables. The State is not directly or contingently liable for any indebtedness of the Delaware State Housing Authority or the Delaware State University. Further information for these authorities may be found in the Notes to the Financial Statements, Revenue Bonds and Notes Payable.

Delaware Transportation Authority

(in thousands)

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirements	Coverage
1994	\$ 199,200	\$ 79,500	\$ 119,700	\$ 64,200	1.86
1995	227,800	86,600	141,200	67,100	2.10
1996	229,771	95,859	133,912	67,704	1.98
1997	233,913	105,371	128,542	67,064	1.92
1998	254,887	119,428	135,459	61,761	2.19
1999	272,398	119,816	152,582	66,018	2.31
2000	284,167	118,739	165,432	66,139	2.50
2001	299,962	147,065	152,897	72,852	2.10
2002	297,894	140,940	156,954	74,834	2.10
2003	298,536	156,394	142,142	86,447	1.64

Source: Delaware Department of Transportation

Delaware State Housing Authority

(in Thousands)

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirements	Coverage
1994	\$ 174,179	\$ 1,444	\$ 172,735	\$ 120,227	1.44
1995	71,410	3,474	67,936	55,868	1.22
1996	85,703	2,985	82,718	78,317	1.06
1997	76,155	2,831	73,324	75,881	0.97 (2)
1998	77,098	3,102	73,996	61,805	1.20
1999	80,079	1,825	78,254	77,961	1.00
2000	128,207	56,582	71,625	69,104	1.04
2001	106,381	34,772	71,609	67,091	1.07
2002	179,672	40,731	138,941	130,908	1.06
2003	143,526	43,370	100,156	88,786	1.13

(1) Gross revenue represents total operating revenues, interest income on investments, mortgage principle repayments and bond proceeds.

(2) Shortages are the result of timing differences between revenue receipts and actual date of debt service payments.

Source: Delaware State Housing Authority

Delaware State University

(in Thousands)

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Coverage</u>
1994	\$ 16,587	\$ 15,734	\$ 1,853	\$ 841	2.20
1995	20,138	16,905	3,233	1,087	2.97
1996	21,043	18,756	2,287	1,381	1.66
1997	21,688	18,226	3,462	1,678	2.06
1998	23,702	19,770	3,932	1,665	2.36
1999	26,262	20,203	6,059	1,429	4.24
2000	29,899	14,757	15,142	864	17.53
2001	28,858	14,689	14,269	1,546	9.23
2002	32,170	15,447	16,723	1,614	10.36
2003	34,504	20,992	13,512	1,612	8.38

(1) Gross revenues represents total revenues less State appropriations.

(2) Direct Operating Expenses represent total unrestricted educational and general expenditures less State appropriations.

Source: Delaware State University